OCTOBER 2022

STATE SUPER
SAS Trustee Corporation

Keeping members super informed

superVIEWS

SASS
State Authorities Superannuation Scheme

In this issue......

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State Super update

Keeping you informed on the latest news and updates at State Super

Inaugural Member Meeting 2022 – register now

All members are invited to attend our online Member Meeting 2022. Hear from our Chair, Chief Executive Officer and other executives of State Super who will update you on our investment performance, objectives and the outlook for the year ahead. You will also have an opportunity to submit questions in advance about the operation of the Fund.

Date: Tuesday 13 December 2022

Time: 10.30am – 12.00pm.

How to register

- If you've already provided your email address, you'll automatically receive an invitation with the link to register.
- If you haven't previously provided us with your email, visit membermeeting.statesuper.registerevents.com.au

Registrations close 30 November 2022.

Annual Member Satisfaction Survey coming soon

Our annual Member Satisfaction Survey is coming up and we will be contacting members by phone in the coming weeks to have their say.

Thanks to everyone who participated and provided feedback in our last survey, which again gave us very positive results in all areas of service delivery when compared to the broader superannuation industry.

This annual research, together with the comments and insights that we receive from our members, has become an integral part of our future planning and will help us to continue to identify ways to improve the services we provide to you.

Get in touch

We welcome your feedback at any time via our online form at **statesuper.nsw.gov.au/help-centre/contact-us**

Secure Member login now with 2 factor authentication

Did you know you can keep track of your State Super benefits online via the secure member login on our website.

And this year we've introduced enhanced security features which means that every time you log in:

- A unique PIN number will be sent to your mobile phone or email address (we will use the details that are currently on file).
- You will need to enter the PIN number which will then be validated.

For members who do not have either a mobile number or email address on file, you will need to update your member details in order to use the new security features.

Registering for online access enables you to:

- update or change your contact details
- view and download your last annual statement
- access an online benefit estimate.

To register, simply go to **statesuper.nsw.gov.au** and click on the Member Login link (top right corner) and complete the new user registration details.

If you have already registered but need to reset a forgotten password, simply click on the Member Login link and select "Forgotten your password?" where you can re-enter your details securely and request a new password to be sent via post or email.

Additional Employer Contribution (AEC) update

With the Superannuation Guarantee rate increasing by 0.5% on 1 July 2021 and then by a further 0.5% on 1 July 2022, the AEC rate has also increased by these amounts, to 1.0% from 1 July 2021 and to 1.5% from 1 July 2022.

State Super has worked with the fund administrator and employers to update systems and processes to enable the Additional Employer Contribution (AEC) amounts to now be paid and allocated to accounts.

As the necessary system and process changes were not in place when the initial AEC rate increase took place on 1 July 2021, backdated adjustments have been made. These adjustments include the calculation of the monthly AEC contribution amounts that were payable from 1 July 2021 plus investment earnings. Contributions from 1 July 2022 have been made by employers at the new rate of 1.5%.

What is the SANCS Additional Employer Contributions (AEC) Account?

As a member of the State Authorities Superannuation Scheme (SASS), you may also be entitled to receive additional employer contributions that will be paid into your SANCS AEC account. Unlike the defined benefit portion of the SANCS benefit (the basic benefit), the SANCS AEC account provides an accumulation style superannuation benefit, the value of which is determined by contributions made by your employer and investment earnings achieved by the Fund. You cannot make contributions to the SANCS AEC account, as only contributions made by your employer can be credited to the account.

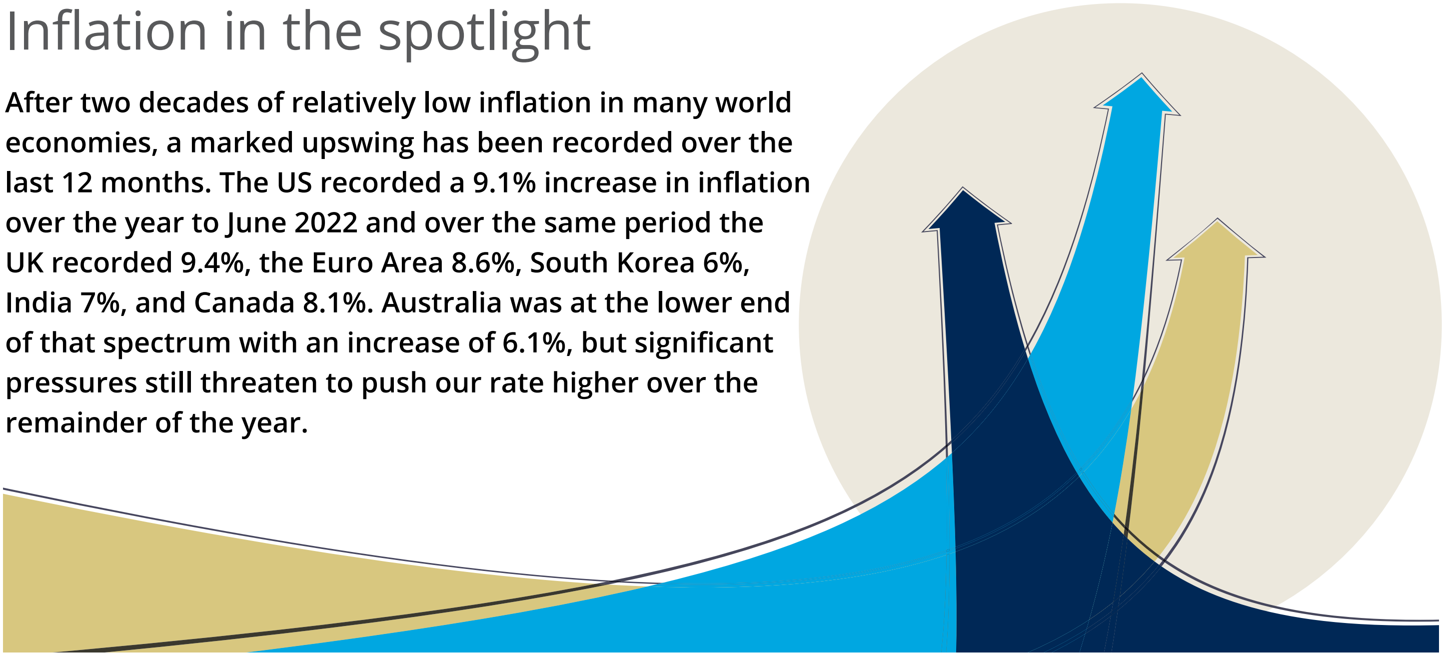
Below is the schedule of AEC increases:

EFFECTIVE 1 JULY:	General - Superannuation Guarantee (SG) increased to:	State Super members – Additional Employer Contribution (AEC) increased to:
2021	10.0%	1.0%
2022	10.5%	1.5%
2023	11.0%	2.0%
2024	11.5%	2.5%
2025	12.0%	3.0%

Investment overview

Inflation in the spotlight

After two decades of relatively low inflation in many world economies, a marked upswing has been recorded over the last 12 months. The US recorded a 9.1% increase in inflation over the year to June 2022 and over the same period the UK recorded 9.4%, the Euro Area 8.6%, South Korea 6%, India 7%, and Canada 8.1%. Australia was at the lower end of that spectrum with an increase of 6.1%, but significant pressures still threaten to push our rate higher over the remainder of the year.



Inflationary forces are likely to persist, at least over the near term, due to a combination of factors. These include energy and food price increases triggered by supply restrictions and the Russia/Ukraine war, COVID-19 lockdowns in China that have caused production slowdowns, strengthening post-COVID-19 demand levels that are outstripping supply chain capacity and labour market shortages that are putting upward pressure on wages.

In an effort to curb this inflation surge, central banks around the globe have intervened assertively by tightening monetary policy. Governments have also curtailed the levels of fiscal stimulus that were implemented to support economic activity during the pandemic. Australia's Reserve Bank has been behind the curve in raising rates compared to other economies but has flagged their resolve to put the reins on inflation with continued rate increases over the remainder of the year.

These tightening conditions have also had an impact on economic growth with many world economies seeing a significant weakening in GDP over the course of 2022.

The lower growth combined with the emergence of inflation, and the interest rate hikes that have been implemented to contain it, have served to fuel fears for both equity and bond market investors with recession also now a distinct possibility in some economies. This has triggered some substantial dips in market indices. For example, in equity markets for the year to date as at 2 August, the S&P500 was down by 14.71%, Japan's Nikkei 225 fell by 5.32%, China's CSI 300 dropped by 17.3% and the ASX 200 Index contracted by 8.09%. Bond indices have experienced similar falls over the same period, with the US S&P 500 Bond Index down by 11.05%, the S&P/ASX Australian Government Bond Index dropping 8.11% and the S&P Eurozone Sovereign Bond Index falling by 7.82%.

Some challenging times lie ahead

Central banks have clearly signalled that putting a lid on inflation is a key priority, even if this risks a dip into recession in the process. Against a background of benign inflation over recent decades, it is proving difficult for forecasters to predict how inflation will track for the remainder of this year and into next year. Inflation may have yet to peak and the upside potential for inflation may require a few rate rises to bring it into check.

On the fiscal front, the stimulus measures across advanced economies will continue to be wound back, but macroeconomic policy will still be geared to support growth. The notable exception to this is China, where the recent lockdowns will see levels of stimulus support continuing for some time yet to counteract weaker levels of consumer spending and manufacturing output.

Geopolitical conflict will continue to disrupt economic relationships as major economies including the US, the UK, the European Union, and Japan pursue bans on crude oil and coal imports from Russia. To mitigate the supply consequences of this action, several nations are releasing oil from their strategic reserves.

The European Union is also planning to shed its dependence on Russian gas and is actively looking for alternative sources to ensure its energy security. Agriculture is another major casualty of the war with a large slice of global wheat supply normally coming from the two protagonists.

All these challenges are serving to dampen projections for GDP growth and the initial expectations at the start of 2022 are now being revised down by many countries for the remainder of this year and the next. The OECD are now projecting global growth to slow down to around 3% with a similar expectation for next year.

The Australian economy has some bright spots with unemployment now down below 4%, buoyant commodity prices and healthy levels of household savings, but this hasn't inoculated us from also having to revise our growth expectations. In its July statement on economic outlook the new Labor government moderated real GDP forecasts to 3.75% for 2021/22 and 3% for 2022/2023.

Another hot topic domestically is the decline in real wages over recent years. The inflation breakout has brought this issue into sharp focus and the pressure is growing from unions and employees for wage increases to alleviate cost of living pressures. The tight labour market will add further impetus to this campaign.

MEMBER INVESTMENT CHOICE STRATEGIES TO 30 JUNE 2022

	1 year	2 year	3 year	5 year	10 year
Growth	-1.7%	6.0%	4.5%	6.1%	8.3%
Balanced	-0.9%	3.9%	3.5%	4.6%	6.8%
Conservative	1.1%	3.3%	3.2%	3.9%	5.2%
Cash	0.1%	0.1%	0.4%	0.9%	1.7%

DEFINED BENEFIT STRATEGIES TO 30 JUNE 2022

	1 year	2 year	3 year	5 year	10 year
Trustee Selection	-0.6%	6.0%	4.4%	6.0%	8.3%
University Cash	0.1%	0.1%	0.3%	0.9%	N/A

Important: Past performance is not a reliable indicator of future performance.

The crediting rates shown have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

Outlook for markets

Continued market corrections and volatility will likely continue over the course of 2022, as market sentiment will be sensitive to each piece of emerging economic and geopolitical news – particularly on inflation, growth and the possibility of recession.

In the face of this short term uncertainty, it is important to keep a sense of perspective about medium and long term outcomes. If we 'zoom out' to look at growth trends in major indices over the last decade, the recent dips in markets are not nearly as significant as they might first seem. The table below showing State Super's fund returns over the medium and long term lends credence to this reality. Looking forward to 2023 and beyond, markets still hold upside potential for those who are patient. Short term economic shakeups need to always be viewed in the context of longer term investment market trends.

The Australian economy has some bright spots with unemployment now down below 4%, buoyant commodity prices and healthy levels of household savings.

Retirement confidence starts here

Retirement means different things to different people. At Aware Super we want to help make planning for retirement easy so that you can prepare for your next chapter with confidence.

As a member of a defined benefit scheme, it's important you get answers from an expert who understands how super, and retirement, works for you.

The good news is that Aware Super run regular retirement webinars hosted by our retirement experts. They'll help you with what you need to know about investing for retirement, maximising your scheme benefit and how to turn intention into action when it comes to your retirement plan.

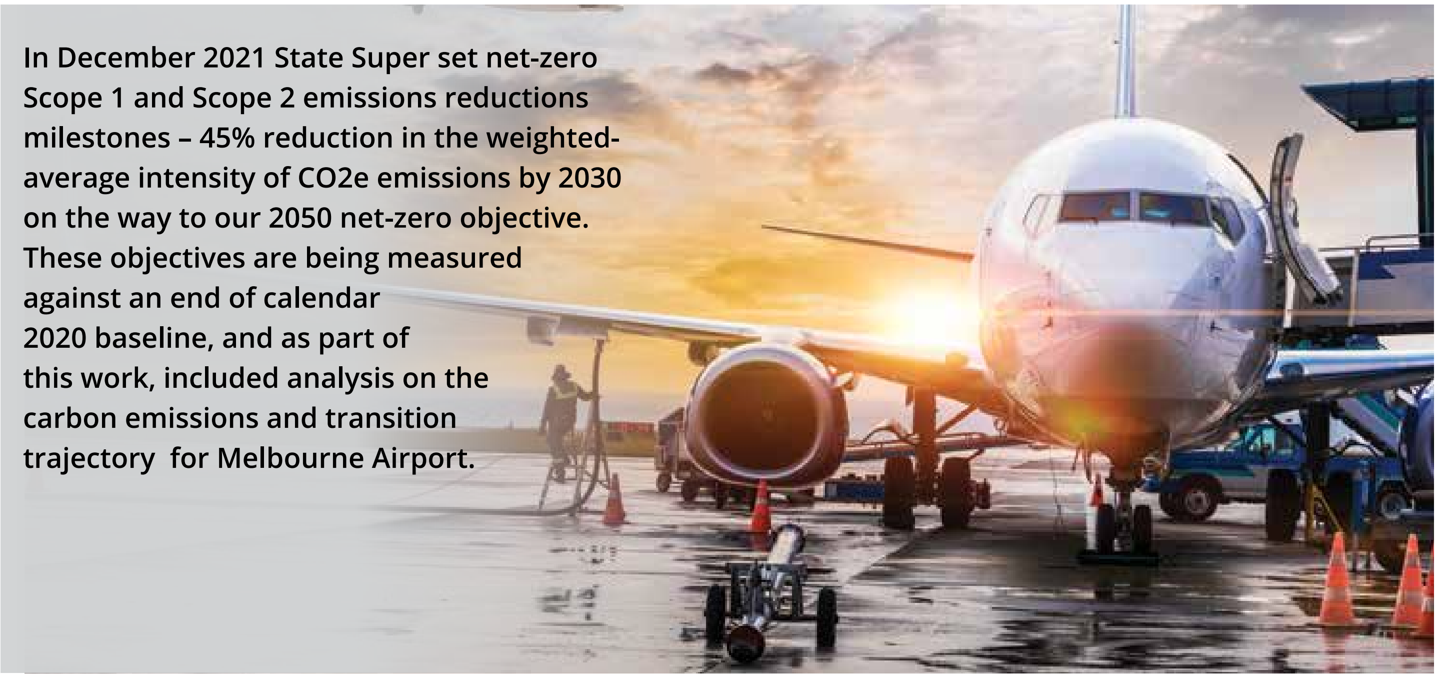
Register for a free webinar

Scan the QR code to register

1800 620 305 | retire.aware.com.au/statesuper

aware SUPER

Melbourne Airport - helping us deliver on our Net-Zero promise



In December 2021 State Super set net-zero Scope 1 and Scope 2 emissions reductions milestones – 45% reduction in the weighted-average intensity of CO2e emissions by 2030 on the way to our 2050 net-zero objective. These objectives are being measured against an end of calendar 2020 baseline, and as part of this work, included analysis on the carbon emissions and transition trajectory for Melbourne Airport.

Melbourne Airport, one of Australia's busiest airports is part owned by State Super on behalf of our members and is situated on the land of the Wurundjeri Woi-wurrung First Nations people and Traditional Owners. In January 2022, Melbourne Airport committed to accelerate its net-zero scope 1 and scope 2 emissions reduction plan, by committing to be carbon neutral by 2025.

To support their net-zero ambition, the airport will rely on a recently commissioned 12-megawatt solar farm which is able to power up to 20 per cent of the Airports energy needs, or enough to power the four terminals.

The first element of that strategy has been delivered with a rooftop solar system installed in the Melbourne Airport Business Park. It features in excess of 4,000 solar panels spread across approximately 30,000 square metres of roof.

Other steps being taken to reach net zero include energy efficiency, implementation of a green Power Purchase Agreement ('PPA') from 2024 and retention of Large-scale Generation Certificates (LGCs) generated by the on-site solar farm. Melbourne Airport's new solar farm is one of the largest solar installations in the country and is the biggest undertaken by any of Australia's airports.

The airport expects that by 2030, more than 50 per cent of their energy requirements will be met by expanding the on-site solar generation facilities, with the remaining energy requirements procured through dedicated agreements directly linked to high-quality solar and wind farm developments in Victoria.

In addition to Scope 1 and 2 emission reductions targets, the Airport is focussing on developing a strategy for working with their customers to reduce scope 3 emissions. The strategy will see them work closely with airline and ground transport partners, airport tenants and broader supply chains to reduce emissions across the aviation industry supporting the global move towards decarbonisation.

The revised net-zero targets that Melbourne Airport has set, represent some of the most ambitious actions to address climate change by an Australian based airport.

Importantly, Melbourne Airport is working to achieve Level 1 and Level 2 Airport Carbon Accreditation – an independently verified carbon baseline for the airport and a carbon reduction strategy for benchmarking progress against the global aviation industry.

Working with management teams to ensure they are positioned strongly for a lower carbon economy continues to be a focus as we move towards delivering on our net-zero milestones announced in December.

The airport expects that by 2030, more than 50 per cent of their energy requirements will be met by expanding the on-site solar generation facilities.

What do rising interest rates and inflation mean for my retirement savings?

After nearly a decade of low interest rates and steady inflation, we are entering more challenging times for investment markets. In this article we discuss how market performance impacts your SASS benefit and strategies you can use to keep a level head when it comes to making decisions about your retirement savings.

How do rising rates and inflation impact investors?

Global inflation has been on the rise since last year and is showing signs of being stubbornly persistent. We've seen multi-decade highs in many countries including Australia. One impact of rising inflation is rising prices. You may be seeing increases in your groceries, utilities, and other bills. Inflationary pressure also has an impact on the broader economy and ultimately investment performance.

Inflation can be complex with lots of potential and intertwined causes and effects. It can also take time to tame which is why many central banks (the independent bodies within countries responsible for controlling interest rates), including the Reserve Bank of Australia, are so focused on moderating inflation and are now quickly raising interest rates to try and keep it under some control.

Rising interest rates generally mean slower and more volatile returns for investors. We've seen markets struggle over the past six months. If you keep an eye on your investments regularly, you may have noticed some movements in your balance recently. On some days you'll have seen there have been downward movements. Likewise, if you are exiting your SASS scheme, you may find your final exit benefit is different from your estimated exit benefit.

What does a more volatile market mean for my SASS benefit?

As a contributing SASS member, a large part of your final benefit is based on a formula, so the majority of your money is protected from market risk; however, your personal account is subject to investment choice.

You may also have retirement savings invested outside of SASS - for example, through an investment in shares or term deposits. It's important to understand that once you exit your scheme, you'll need to decide how to invest your super to give yourself the best chance of having enough income for the rest of your life.

Keeping a level head is key to making sensible investment decisions

Different investment options have been impacted differently by recent market conditions. For members invested in higher growth options, equity market falls have contributed to negative returns so far in 2022. For members invested in more conservative options, the low but rising interest rate environment combined with inflationary pressures has continued to be a challenging environment for fixed income and cash.

When confronted with short-term falls in returns from your super, it's important to remember that super is a long-term investment. Market corrections and periods of volatility are a normal part of healthy, functioning markets. Markets move through stages of growth, slowing down and speeding up.

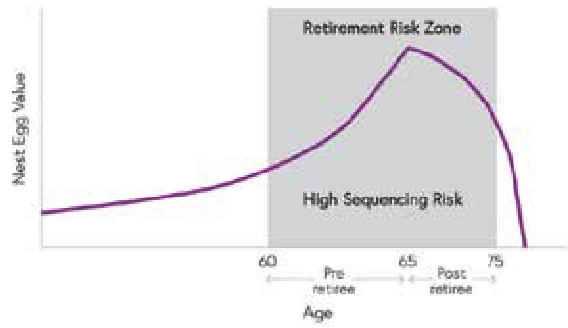
Unfortunately, the exact timing of these cycles is largely unpredictable. Timing the market successfully is one of the hardest things to do. As the investing adage says: "It's time in the market and not timing the market that's important." Sticking to your long-term strategy is normally the best approach. During periods of market volatility, it can be tempting to change your investment strategy and withdraw your investment, but this might in fact lock in your losses. Depending on your circumstances and long-term financial plan, it may be wiser to stay invested until the markets rise again.

Your time to retirement makes a difference

Investing decisions are particularly important in the years just before and after your retirement. Known as the "retirement risk zone" your super is at its peak in value and if some (or all) of your super is invested in assets that are linked to market performance, a downturn in the markets could expose you to a significant fall in value. So, if, for example, you make a withdrawal during a market slump, it may lock in losses, leaving you with less money invested to earn an income from.

The Retirement Risk Zone

Your savings are at their greatest during the five years before and after you retire, so during this period you are exposed to more risk if you experience any investment losses. This phase of the savings life cycle is commonly called the 'Retirement Risk Zone'.



Sequencing risk refers to the risk of poor investment returns at the wrong time, for example just before or at the start of retirement when your account balance is at its greatest. At this time the timing and order of returns can be nearly as important as the size of those returns, making sequencing risk an important determinant of retirement outcomes.

Understanding your risk capacity is key to feeling comfortable with your investment decisions as you near retirement

When determining how much risk you should be taking with your retirement savings there are two important concepts to understand: risk tolerance and risk capacity.

Risk tolerance is all about how well you will psychologically handle a period of poor investment returns. Will you be able to sleep at night or will you be gripped with worry and panic?

Risk capacity on the other hand has to do with the risk you need to take to reach your financial goals. Risk capacity is about whether you can financially afford to take a certain amount of risk with your savings at a particular point in time.

To evaluate risk capacity, other factors come into play such as the timing of when you need to draw down on your retirement savings to live on or to pay expenses. In retirement that's the percentage of the balance that you will need to fund your lifestyle and the length of time you will be in retirement, how much money you would need to access quickly and for a rainy day, now and in the future.

One consideration in a rising interest rate environment is that debt becomes more expensive. For some people it may make sense to pay off a mortgage, for example, before investing in their super to fund their retirement. Rising inflation also means it is a good time to reassess how much you need to live on each year in retirement based on rising costs.

Your risk tolerance and your risk capacity may be the same or they may be different. They are both likely to change over time depending upon where you are in your financial life cycle and depending upon your unique circumstances along the way.

Your investment choices in SASS

There are 4 investment choice strategies: Growth, Balanced, Conservative and Cash in which members can choose to invest the parts of their benefit which are subject to investment choice. Members can choose one strategy or any mixture of the four strategies, provided the proportions add up to 100%.

Contributory members can select an investment strategy for their personal account and can nominate a different strategy (or combination of strategies) for their current account balance and future contributions. This approach allows members to adjust their SASS investment strategy for changes in their personal financial circumstances or their overall financial plan.

If you have not previously chosen an investment strategy, the parts of your benefit that are subject to investment choice will be invested in the SASS member investment choice default strategy, the Growth Strategy, and will remain in that strategy unless you make a choice in the future.

The SANCS account which includes the Basic Benefit is not subject to investment choice.

For the latest on your investment returns you can check the website statesuper.nsw.gov.au/investments/performance where you will find detailed, up-to-date investment information.

If you need advice on the right investment strategy for your personal financial situation, book an appointment with an Aware Super financial planner on 1800 620 305.

Ask an Expert

Q1: I am a contributing member to SASS planning to permanently retire at age 59. My Commonwealth preservation age and scheme earliest retirement age are both 58. I would like to cash out 50% as a lump sum and rollover the remaining balance to my Aware Super account. How much tax will I pay if I withdraw the 50% before age 60 compared to waiting until age 60 or older?

When you rollover from one super fund to another, or rollover to a retirement income stream, it is still within the concessionally taxed superannuation environment and does not attract any personal income tax or contributions tax.

Money cashed out of your SASS account as a lump sum from age 60 will be free of any personal income tax, and in fact you don't include this lump sum in your tax return.

As you have reached your Commonwealth preservation age and scheme earliest retirement age and you plan to permanently retire, you will be able to get access to your super at age 59. There may be some personal income tax to pay, however it's likely to be a lot less than you would expect.

The tax is determined by the proportion of tax free and taxable components of your benefit. The tax-free component and the first $230,000^ of the taxable component cashed out as a lump sum before age 60 will not attract any personal income tax*. Any taxable component above $230,000 will be subject to a 15% lump sum tax plus the 2% Medicare levy.

As a worked example if the tax-free component of your benefit was 10% and the taxable component 90% and you cash out $350k at age 59, then $35k (10% of $350k) will be tax free and $315,000 (90% x $350k) will be the taxable component. You'll pay 17% tax (including Medicare levy) on amounts over $230k of the taxable component, so in this example $85,000 ($315k – $230k) meaning a total bill of $14,450 (17% x $85k).

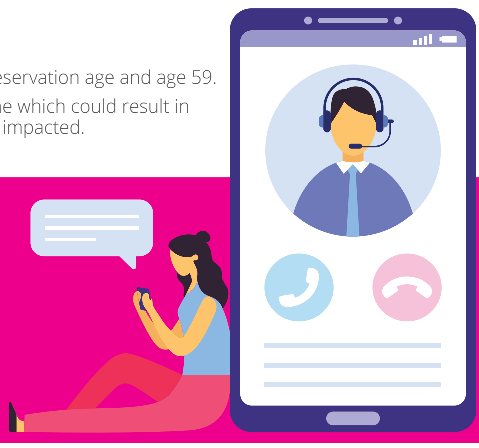
It would be worthwhile considering cashing out only the equivalent of $230k taxable component before age 60, rolling the rest over to another super fund and then cash out the remainder after age 60 and save yourself some tax.

Timing your retirement is an important decision and you need to consider the sources of income you will live on in retirement, and how long your savings will last. Aware Super financial planners are experts in retirement and will consider a range of options to provide you with advice tailored to your specific financial situation, objectives, and goals.

^ $230,000 is a lifetime cumulative threshold between preservation age and age 59.

* The taxable amount is still included as assessable income which could result in super concessions, tax offsets and family payments being impacted.

Call 1800 620 305 to speak to Aware Super



Q2: If I roll my SASS benefit to a retirement income stream when I retire, how do I calculate the minimum I need to take each year as a pension? Are lump sum withdrawals throughout the year counted toward this minimum? Is there a maximum lump sum I can take out?

A retirement income stream, also referred to as an account-based pension, is a flexible way to access your super when you retire. This product isn't available within SASS but can be accessed by rolling over the proceeds from your SASS account, and any other super accounts, to another complying super fund such as Aware Super and commencing a retirement income stream.

This phase is where you will see the tax effective benefits of staying within the super environment in retirement. Unlike in the accumulation phase of super where earnings on investments within the account are taxed at up to 15%, in the retirement phase of super there is 0% tax on your earnings, leaving more money invested to fund your lifestyle throughout your retirement. From age 60 there is no personal income tax to pay on money paid to you from the account, and in fact you don't include these payments in your tax return. Between preservation age and 59, the taxable portion of income payments are included as assessable income and attract a 15% tax offset.

You can select the frequency of payments you receive, but it must be a minimum of one drawdown per year. These accounts are designed to give you income through your retirement so whilst there is no maximum amount (up to the total balance of the account) that you can take out, there is a minimum percentage each year that increases as you age.

Your fund will calculate the minimum pension payment based on your account balance when you commence your retirement income stream and then each July 1st. For the first year of your retirement, the minimum amount is pro-rated based on the percentage of the financial year remaining. Lump sum withdrawals from the account are not counted towards the minimum payment.

A 65-year-old member with $650,000 in a retirement income stream on 1 July 2022 will need to receive a minimum annual pension of $16,250 or $625 per fortnight in the 2022-2023 financial year.

It's important to note that you have the responsibility to choose how your account balance is invested and manage pension payments and lump sum withdrawals which will determine how long your money will last in your retirement. An Aware Super financial planner can provide you advice tailored to your situation that will give you peace of mind that you are making the most of your money in retirement.

Age	Minimum % of balance paid to you as a regular income^	
	2022/23~	2023/24 and onwards
Under 65	2%	4%
65 - 74	2.5%	5%
75 - 79	3%	6%
80 - 84	3.5%	7%
85 - 89	4.5%	9%
90 - 94	5.5%	11%
95+	7%	14%

~ As part of the Governments COVID-19 economic response, minimum annual withdrawals limits remain halved until 30 June 2023.

^ Minimum amounts may be subject to change, refer to ato.gov.au.

Your member benefits

STATE SUPER
SAS Trustee Corporation

Sign up for a webinar to learn more about your scheme.

State Super seminars are now online! Join a webinar presented by qualified financial planners from Aware Super. They can help you understand how to maximise your superannuation and plan for the future. Aware Super financial planners are specifically trained in your superannuation scheme.

Our webinar is presented in two 60-minute sessions and will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your available benefits
- understand how and when the decisions you make about your employment and superannuation can affect your retirement benefits
- understand the Centrelink rules and the benefits you could be eligible for
- find out how a financial plan can help you make the most of your super.

Easy-to-follow instructions are provided on how to join and participate online from the comfort of home.

To make a booking to attend one of our webinars, call **1800 620 305** or go to **statesuper.nsw.gov.au/help-centre/seminars** where you can view dates and times that are convenient for you.

Member interviews - now on Zoom (video call)

Interview Services using the Zoom video call platform are available by appointment from 9.00am to 5.00pm Monday to Friday.

State Super's free Interview Service is available to all current and deferred benefit members as well as pension members.

Customer service staff can meet with you via a virtual face-to-face video call. They can assist with general information about your scheme, superannuation rules, even completing administrative forms or other paperwork. Easy-to-follow instructions will be supplied to help you join your video interview.

Call to make an appointment -

1300 130 095

Of course, you can contact us by phone for assistance any time during business hours.

There is also a wide range of information available on our website. Details about the rules, benefit entitlements and membership conditions of each of the State Super schemes are provided in a series of fact sheets.

To download a form or fact sheet, go to **statesuper.nsw.gov.au/help-centre/forms-and-factsheets** and search for the name or document number or scroll through your scheme's documents to find what you need.

Contact us

1300 130 095

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